

2002 Sales and Use Tax Rate Changes – All Tennessee Boat and Motor Vehicle Dealers

Sales & Use tax notice

Chapter 856, Public Acts of 2002 increases the general state sales and use tax rate on the sale, use or lease of tangible personal property and taxable services by 1% to a new state rate of 7%. This does not apply to items of food and food ingredients, as defined in the law, which remain at the 6% state rate. The increase in the state rate allows the combined state and local sales and use tax rate to reach a maximum of 9.75%. **The effective date of the new rate is July 15, 2002.** The first return reflecting the new tax rate will be due on August 20, 2002.

USE TAX

In addition, on July 15, 2002, the tax rate on items of tangible personal property that are not sold, but are used, consumed, distributed, or stored for either use or consumption in Tennessee, is likewise increased to 7% plus the appropriate local tax rate.

SINGLE-ARTICLE SALES

Also effective July 15, 2002, a state sales or use tax of 2.75% is levied on the amount in excess of \$1,600, but less than or equal to \$3,200, on the sale, lease or use of any single article of personal property as defined in Tenn. Code Ann.

Section 67-6-702(d). The first \$1,600 of the sales price will continue to be taxed at the appropriate local rate. The amount from \$1,600.01 to \$3,200 will be taxed at a uniform rate of 2.75%. The single-article cap applies only to the sale or lease of tangible personal property and does not apply to the sale of services.

The sales and use tax return has been revised effective with the July 2002 reporting period. Please note the change to Schedule C regarding reporting the new state 2.75% tax on the sales price of a single article.

LEASES

The tax changes for the increased rates apply to leases without regard to when the lease was executed. Therefore, lessors should be collecting tax at the increased rate for lease payments made after July 15, 2002. Also, the 2.75% increased tax applies to leased single articles of tangible personal property for payments that are between \$1,601 and \$3,200.

Have questions or comments? Please let us know. [Contact us.](#)

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